

**AUGUSTA INDEPENDENT  
SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012**

**- WITH INDEPENDENT AUDITORS' REPORT -**

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### **Independent Auditors' Report**

Members of the Board of Education  
Augusta Independent School District  
307 Bracken Street  
Augusta, Kentucky 41002

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Augusta Independent School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

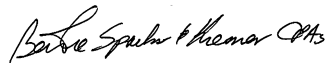
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Augusta Independent School District, as of June 30, 2012, and the respective changes in financial position, respective budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2012, on our consideration of the Augusta Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 7, and Budgetary Comparison Information, on page 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Augusta Independent School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bertke, Sparks & Kremer, Inc.  
October 24, 2012

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2012**

As management of the Augusta Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$862,868.
- The General Fund had \$2,172,616 in revenue, which primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. The General Fund had expenditures of \$2,302,040 (excluding inter-fund transfers of \$6,198).
- The District did not give the employees a raise for the fiscal year, and the salary schedule was cut from 187 days to 185 day. The District did provide increases based on Rank and Experience.
- The District completed a renovation project on the cafeteria/kitchen area with new kitchen equipment, serving line, coolers, tables, lighting, flooring, outside door entrance, cooling system, and repaired plumbing.
- The District replaced the gymnasium floor.
- The District replaced the band building roof.
- The District installed a new phone system panel and surge protection.
- The District repaired the boiler condensation pumps and units.
- The District installed a batting cage.
- The District purchased additional interactive "smart boards".
- The District continued to upgrade and improve its bus fleet.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)**

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 of this report.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$758,490 as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in cash and cash equivalents. The District uses capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

**Net Assets for the periods ending June 30, 2012 and 2011**

|  | <b>2012</b>                | <b>2011</b>                |
|--|----------------------------|----------------------------|
| Current assets                             | \$ 404,614                 | \$ 1,246,883               |
| Noncurrent assets                          | <u>5,161,813</u>           | <u>5,263,727</u>           |
| <b>Total assets</b>                        | <b><u>\$ 5,566,427</u></b> | <b><u>\$ 6,510,610</u></b> |
| Current liabilities                        | \$ 342,707                 | \$ 665,120                 |
| Noncurrent liabilities                     | <u>4,465,230</u>           | <u>4,763,239</u>           |
| <b>Total liabilities</b>                   | <b><u>\$ 4,807,937</u></b> | <b><u>\$ 5,428,359</u></b> |
| <b>Net assets</b>                          |                            |                            |
| Investment in capital assets (net of debt) | \$ 411,748                 | \$ 228,042                 |
| Restricted                                 | 6,287                      | 406,529                    |
| Committed                                  | 7,744                      | 19,586                     |
| Nonspendable                               | 7,408                      | 3,701                      |
| Assigned                                   | 7,198                      | 2,293                      |
| Unassigned                                 | <u>318,105</u>             | <u>422,100</u>             |
| <b>Total net assets</b>                    | <b><u>\$ 758,490</u></b>   | <b><u>\$ 1,082,251</u></b> |

**Comments on Budget Comparisons**

- The District's total general revenues for the fiscal year ended June 30, 2012, net of inter-fund transfers, were \$2,172,616.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$486,479 in excess of budget, or approximately 29%. This is partially a result of the District recording on behalf payments made by the state.
- The total cost of all programs and services, net of inter-fund transfers of \$6,198, in the General Fund, was \$2,308,238.
- General fund actual expenditures were more than budgeted expenditures by \$130,001 mainly due to on behalf expenditures not budgeted for by the District.



**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2011.

|   | <b>2012</b>          | <b>2011</b>         |
|---|----------------------|---------------------|
| <b>Revenues:</b>                        |                      |                     |
| Program Revenues:                       |                      |                     |
| Charges for services                    | \$ 54,106            | \$ 38,362           |
| Operating grants and contributions      | 592,255              | 822,589             |
| Capital grants and contributions        | <u>91,044</u>        | <u>93,204</u>       |
| Total program revenues                  | <u>737,405</u>       | <u>954,155</u>      |
| General Revenues:                       |                      |                     |
| Property taxes                          | 487,362              | 465,699             |
| Grants and entitlements                 | 1,683,319            | 1,640,392           |
| Earnings on investments                 | 829                  | 4,693               |
| Gain on asset disposal                  | 560                  | 220                 |
| Loss on sale of bonds                   | -                    | -                   |
| Miscellaneous                           | <u>224,895</u>       | <u>243,168</u>      |
| Total general revenues                  | <u>2,396,965</u>     | <u>2,354,172</u>    |
| Total revenues                          | <u>3,134,370</u>     | <u>3,308,327</u>    |
| <b>Expenses:</b>                        |                      |                     |
| Instructional                           | 2,173,857            | 1,904,900           |
| Student support services                | 105,424              | 133,697             |
| Staff support services                  | 58                   | 690                 |
| District administration                 | 407,579              | 360,823             |
| School administration                   | 162,187              | 138,599             |
| Business support services               | 53,908               | 50,663              |
| Plant operation and maintenance         | 155,957              | 351,316             |
| Student transportation                  | 132,922              | 135,873             |
| Community service                       | 37,377               | 39,284              |
| Facility acquisition and construction   | (3,036)              | -                   |
| Interest on long-term debt              | 45,694               | 39,679              |
| Food service                            | <u>186,204</u>       | <u>229,810</u>      |
| Total expenses                          | <u>3,458,131</u>     | <u>3,385,334</u>    |
| <b>Deficit of revenue over expenses</b> | <u>\$ ( 323,761)</u> | <u>\$ ( 77,007)</u> |

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$314,380 in contingency (15.8%). The beginning cash balance for beginning the fiscal year is \$862,868.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Questions regarding this report should be directed to the Superintendent, Mrs. Lisa McCane, or to the Treasurer, Mary Alice Thornbury, at 606-756-2545 or by mail at Augusta Independent School District, 307 Bracken Street, Augusta, Kentucky 41002.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - DISTRICT WIDE  
AS OF JUNE 30, 2012**

|   | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>TOTAL</b>        |
|---|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>                                   |                                    |                                     |                     |
| <b>CURRENT</b>                                  |                                    |                                     |                     |
| Cash and cash equivalents                       | \$ 76,835                          | \$ 4,101                            | \$ 80,936           |
| Accounts receivable                             | 311,360                            | 4,910                               | 316,270             |
| Inventories for consumption                     | -                                  | 7,408                               | 7,408               |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| Total current                                   | 388,195                            | 16,419                              | 404,614             |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| <b>NONCURRENT</b>                               |                                    |                                     |                     |
| Bond issuance costs - net                       | 56,492                             | -                                   | 56,492              |
| Construction in progress                        | -                                  | -                                   | -                   |
| Nondepreciated capital assets:                  |                                    |                                     |                     |
| Land  | 95,270                             | -                                   | 95,270              |
| Depreciated capital assets:                     |                                    |                                     |                     |
| Buildings and improvements                      | 6,558,218                          | -                                   | 6,558,218           |
| Technology equipment                            | 457,471                            | -                                   | 457,471             |
| Vehicles  | 207,614                            | -                                   | 207,614             |
| General equipment                               | 231,278                            | 531,862                             | 763,140             |
| Less: accumulated depreciation                  | (2,606,195)                        | (370,197)                           | (2,976,392)         |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| Total noncurrent                                | 5,000,148                          | 161,665                             | 5,161,813           |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| Total assets                                    | <u>\$ 5,388,343</u>                | <u>\$ 178,084</u>                   | <u>\$ 5,566,427</u> |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| <b>LIABILITIES</b>                              |                                    |                                     |                     |
| <b>CURRENT</b>                                  |                                    |                                     |                     |
| Current portion of bonds payable                | \$ 256,950                         | \$ -                                | \$ 256,950          |
| Current portion of capital lease                | 35,629                             | -                                   | 35,629              |
| Current portion of accrued sick leave           | 7,744                              | -                                   | 7,744               |
| Accounts payable                                | 14,824                             | 2,724                               | 17,548              |
| Accrued payroll and related expenses            | -                                  | -                                   | -                   |
| Accrued interest                                | 7,478                              | -                                   | 7,478               |
| Deferred revenues                               | 17,358                             | -                                   | 17,358              |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| Total current                                   | 339,983                            | 2,724                               | 342,707             |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| <b>NONCURRENT</b>                               |                                    |                                     |                     |
| Accrued sick leave                              | 7,744                              | -                                   | 7,744               |
| Capital lease obligation                        | 210,151                            | -                                   | 210,151             |
| Bonds payable                                   | 4,247,335                          | -                                   | 4,247,335           |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| Total noncurrent                                | 4,465,230                          | -                                   | 4,465,230           |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| Total liabilities                               | <u>4,805,213</u>                   | <u>2,724</u>                        | <u>4,807,937</u>    |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| <b>NET ASSETS</b>                               |                                    |                                     |                     |
| Invested in capital assets, net of related debt | 250,083                            | 161,665                             | 411,748             |
| Restricted for:                                 |                                    |                                     |                     |
| Capital projects                                | -                                  | -                                   | -                   |
| Net assets                                      | -                                  | 6,287                               | 6,287               |
| Nonspendable                                    | -                                  | 7,408                               | 7,408               |
| Assigned  |                                    |                                     |                     |
| Purchase Obligations                            | 7,198                              | -                                   | 7,198               |
| Committed                                       |                                    |                                     |                     |
| Accrued sick leave                              | 7,744                              | -                                   | 7,744               |
| Unassigned                                      | 318,105                            | -                                   | 318,105             |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| Total net assets                                | 583,130                            | 175,360                             | 758,490             |
|   | <hr/>                              | <hr/>                               | <hr/>               |
| Total liabilities and net assets                | <u>\$ 5,388,343</u>                | <u>\$ 178,084</u>                   | <u>\$ 5,566,427</u> |
|   | <hr/>                              | <hr/>                               | <hr/>               |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES - DISTRICT WIDE  
FOR THE YEAR ENDED JUNE 30, 2012**

| FUNCTION/PROGRAMS                     | PROGRAM REVENUES    |                         |  |  | NET(EXPENSE) REVENUE AND CHANGES<br>IN NET ASSETS |                             | TOTAL                 |
|---------------------------------------|---------------------|-------------------------|--|--|---|-----------------------------|-----------------------|
|                                       | EXPENSES            | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL GRANTS<br>AND<br>CONTRIBUTIONS | GOVERNMENTAL<br>ACTIVITIES                        | BUSINESS TYPE<br>ACTIVITIES |                       |
| <b>Governmental Activities:</b>       |                     |                         |  |  |   |                             |                       |
| Instructional                         | \$ 2,173,857        | \$ 6,813                | \$ 387,600                               | \$ -                                   | \$ (1,779,444)                                    | \$ -                        | \$ (1,779,444)        |
| Student support services              | 105,424             | -                       | -  | -                                      | (105,424)   | -                           | (105,424)             |
| Staff support services                | 58                  | -                       | -  | -                                      | (58)  | -                           | (58)                  |
| District administration               | 407,579             | -                       | -  | -                                      | (407,579)   | -                           | (407,579)             |
| School administration                 | 162,187             | -                       | -  | -                                      | (162,187)   | -                           | (162,187)             |
| Business support services             | 53,908              | -                       | -  | -                                      | (53,908)  | -                           | (53,908)              |
| Plant operation and maintenance       | 155,957             | 50                      | -  | -                                      | (155,907)   | -                           | (155,907)             |
| Student transportation                | 132,922             | 8,591                   | -  | -                                      | (124,331)   | -                           | (124,331)             |
| Central office                        | -                   | -                       | -  | -                                      | -   | -                           | -                     |
| Community service operations          | 37,377              | 1,616                   | 37,377                                   | -                                      | 1,616   | -                           | 1,616                 |
| Facility acquisition and construction | (3,036)             | -                       | -  | 91,044                                 | 94,080  | -                           | 94,080                |
| Interest on long-term debt            | 45,694              | -                       | -  | -                                      | (45,694)  | -                           | (45,694)              |
| Total governmental activities         | <u>3,271,927</u>    | <u>17,070</u>           | <u>424,977</u>                           | <u>91,044</u>                          | <u>(2,738,836)</u>                                | <u>-</u>                    | <u>(2,738,836)</u>    |
| <b>Business-type Activities</b>       |                     |                         |  |  |   |                             |                       |
| Food service                          | <u>186,204</u>      | <u>37,036</u>           | <u>167,278</u>                           | <u>-</u>                               | <u>-</u>  | <u>18,110</u>               | <u>18,110</u>         |
| Daycare                               | <u>-</u>            | <u>-</u>                | <u>-</u>                                 | <u>-</u>                               | <u>-</u>  | <u>-</u>                    | <u>-</u>              |
| Total business-type activities        | <u>186,204</u>      | <u>37,036</u>           | <u>167,278</u>                           | <u>-</u>                               | <u>-</u>  | <u>18,110</u>               | <u>18,110</u>         |
| Total school district                 | <u>\$ 3,458,131</u> | <u>\$ 54,106</u>        | <u>\$ 592,255</u>                        | <u>\$ 91,044</u>                       | <u>\$ (2,738,836)</u>                             | <u>\$ 18,110</u>            | <u>\$ (2,720,726)</u> |
| <b>General revenues:</b>              |                     |                         |  |  |   |                             |                       |
| Taxes                                 |                     |                         |  |  | \$ 487,362  | \$ -                        | \$ 487,362            |
| State aid formula grants              |                     |                         |  |  | 1,683,319   | -                           | 1,683,319             |
| Investment earnings                   |                     |                         |  |  | 829   | -                           | 829                   |
| Payments made by KFSCC                |                     |                         |  |  | 215,873   | -                           | 215,873               |
| Miscellaneous                         |                     |                         |  |  | 8,960   | 62                          | 9,022                 |
| Special items:                        |                     |                         |  |  |   |                             |                       |
| Gain on sale of assets                |                     |                         |  |  | 560   | -                           | 560                   |
| Loss on sale of bonds                 |                     |                         |  |  | -   | -                           | -                     |
| Transfers                             |                     |                         |  |  | -   | -                           | -                     |
| Total general and special revenues    |                     |                         |  |  | <u>2,396,903</u>                                  | <u>62</u>                   | <u>2,396,965</u>      |
| Change in net assets                  |                     |                         |  |  | (341,933)   | 18,172                      | (323,761)             |
| Net assets - beginning                |                     |                         |  |  | <u>925,063</u>                                    | <u>157,188</u>              | <u>1,082,251</u>      |
| Net assets - ending                   |                     |                         |  |  | <u>\$ 583,130</u>                                 | <u>\$ 175,360</u>           | <u>\$ 758,490</u>     |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2012**

|  | <u>GENERAL<br/>FUND</u> | <u>SPECIAL<br/>REVENUE</u> | <u>CONSTRUCTION<br/>FUND</u> | <u>OTHER<br/>GOVERNMENTAL<br/>FUNDS</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--|-------------------------|----------------------------|------------------------------|---|---|
| <b>ASSETS</b>                          |                         |                            |                              |   |   |
| <b>CURRENT</b>                         |                         |                            |                              |   |   |
| Cash (overdrafts) and cash equivalents | \$ 326,948              | \$ (250,113)               | \$ -                         | \$ -                                    | \$ 76,835                               |
| Accounts receivable                    | 43,007                  | 268,353                    | -                            | -                                       | 311,360                                 |
|  | <hr/>                   | <hr/>                      | <hr/>                        | <hr/>                                   | <hr/>                                   |
| Total current                          | <u>\$ 369,955</u>       | <u>\$ 18,240</u>           | <u>\$ -</u>                  | <u>\$ -</u>                             | <u>\$ 388,195</u>                       |
| <b>LIABILITIES AND FUND BALANCE</b>    |                         |                            |                              |   |   |
| <b>CURRENT</b>                         |                         |                            |                              |   |   |
| Accounts payable                       | \$ 13,942               | \$ 882                     | \$ -                         | \$ -                                    | \$ 14,824                               |
| Accrued payroll and related expenses   | -                       | -                          | -                            | -                                       | -                                       |
| Deferred revenues                      | -                       | 17,358                     | -                            | -                                       | 17,358                                  |
|  | <hr/>                   | <hr/>                      | <hr/>                        | <hr/>                                   | <hr/>                                   |
| Total current                          | <u>13,942</u>           | <u>18,240</u>              | <u>-</u>                     | <u>-</u>                                | <u>32,182</u>                           |
| <b>FUND BALANCE</b>                    |                         |                            |                              |   |   |
| Restricted                             |                         |                            |                              |   |   |
| Capital projects fund                  | -                       | -                          | -                            | -                                       | -                                       |
| Committed                              |                         |                            |                              |   |   |
| Sick leave                             | 7,744                   | -                          | -                            | -                                       | 7,744                                   |
| Assigned                               |                         |                            |                              |   |   |
| Purchase Obligations                   | 7,198                   | -                          | -                            | -                                       | 7,198                                   |
| Unassigned                             | 341,071                 | -                          | -                            | -                                       | 341,071                                 |
|  | <hr/>                   | <hr/>                      | <hr/>                        | <hr/>                                   | <hr/>                                   |
| Total fund balance                     | <u>356,013</u>          | <u>-</u>                   | <u>-</u>                     | <u>-</u>                                | <u>356,013</u>                          |
|  | <hr/>                   | <hr/>                      | <hr/>                        | <hr/>                                   | <hr/>                                   |
| Total liabilities and fund balance     | <u>\$ 369,955</u>       | <u>\$ 18,240</u>           | <u>\$ -</u>                  | <u>\$ -</u>                             | <u>\$ 388,195</u>                       |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

|  |                    |                          |
|--|--------------------|--------------------------|
| Total governmental fund balance  |                    | \$ 356,013               |
| Bond issue costs - net   |                    | 56,492                   |
| Capital assets used in governmental activities are not financial resources<br>and therefore are not reported as assets in governmental funds.                |                    |                          |
| Cost of capital assets   | 7,549,851          |                          |
| Accumulated depreciation   | <u>(2,606,195)</u> | 4,943,656                |
| Long-term liabilities (including bonds payable) are not due and payable in the<br>current period and therefore are not reported as liabilities in the funds. |                    |                          |
| Long-term liabilities at year end consist of:  |                    |                          |
| Bonds payable  |                    | (4,504,285)              |
| Capital lease obligation   |                    | (245,780)                |
| Accrued interest on bonds  |                    | (7,478)                  |
| Accrued sick leave   |                    | <u>(15,488)</u>          |
| Total net assets - governmental  |                    | <u><u>\$ 583,130</u></u> |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|   | <b>GENERAL<br/>FUND</b> | <b>SPECIAL<br/>REVENUE<br/>FUND</b> | <b>CONSTRUCTION<br/>FUND</b> | <b>OTHER<br/>GOVERNMENTAL<br/>FUNDS</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|---|-------------------------|-------------------------------------|------------------------------|---|---|
| <b>REVENUES:</b>                              |                         |                                     |                              |   |   |
| Taxes   | \$ 461,878              | \$ -                                | \$ -                         | \$ 25,484                               | \$ 487,362                              |
| Earnings on investments                       | 829                     | -                                   | -                            | -                                       | 829                                     |
| State sources                                 | 1,683,662               | 193,850                             | -                            | 91,044                                  | 1,968,556                               |
| Federal sources                               | (343)                   | 214,193                             | -                            | -                                       | 213,850                                 |
| Other sources                                 | 26,030                  | 16,934                              | -                            | -                                       | 42,964                                  |
| Total revenues                                | <u>2,172,056</u>        | <u>424,977</u>                      | <u>-</u>                     | <u>116,528</u>                          | <u>2,713,561</u>                        |
| <b>EXPENDITURES:</b>                          |                         |                                     |                              |   |   |
| Instructional                                 | 1,298,309               | 393,798                             | -                            | 8,811                                   | 1,700,918                               |
| Student support services                      | 104,705                 | -                                   | -                            | -                                       | 104,705                                 |
| Staff support services                        | -                       | -                                   | -                            | -                                       | -                                       |
| District administration                       | 407,493                 | -                                   | -                            | -                                       | 407,493                                 |
| School administration                         | 162,187                 | -                                   | -                            | -                                       | 162,187                                 |
| Business support services                     | 53,908                  | -                                   | -                            | -                                       | 53,908                                  |
| Plant operation and maintenance               | 133,536                 | -                                   | -                            | -                                       | 133,536                                 |
| Student transportation                        | 134,284                 | -                                   | -                            | -                                       | 134,284                                 |
| Food service operations                       | -                       | -                                   | -                            | -                                       | -                                       |
| Central office                                | -                       | -                                   | -                            | -                                       | -                                       |
| Community service operations                  | -                       | 37,377                              | -                            | -                                       | 37,377                                  |
| Facility acquisition and construction         | -                       | -                                   | 383,589                      | -                                       | 383,589                                 |
| Debt service:                                 |                         |                                     |                              |   |   |
| Principal                                     | 4,023                   | -                                   | -                            | 65,724                                  | 69,747                                  |
| Interest                                      | 3,595                   | -                                   | -                            | 43,106                                  | 46,701                                  |
| Total expenditures                            | <u>2,302,040</u>        | <u>431,175</u>                      | <u>383,589</u>               | <u>117,641</u>                          | <u>3,234,445</u>                        |
| Excess(deficit) of revenues over expenditures | <u>(129,984)</u>        | <u>(6,198)</u>                      | <u>(383,589)</u>             | <u>(1,113)</u>                          | <u>(520,884)</u>                        |
| <b>Other financing sources(uses):</b>         |                         |                                     |                              |   |   |
| Proceeds from sale of bonds                   | -                       | -                                   | -                            | -                                       | -                                       |
| Proceeds from sale of assets                  | 560                     | -                                   | -                            | -                                       | 560                                     |
| Operating transfers in                        | -                       | 6,198                               | -                            | -                                       | 6,198                                   |
| Operating transfers out                       | (6,198)                 | -                                   | -                            | -                                       | (6,198)                                 |
| Total other financing sources(uses)           | <u>(5,638)</u>          | <u>6,198</u>                        | <u>-</u>                     | <u>-</u>                                | <u>560</u>                              |
| Net change in fund balance                    | (135,622)               | -                                   | (383,589)                    | (1,113)                                 | (520,324)                               |
| Fund balance, July 1, 2011                    | 491,635                 | -                                   | 383,589                      | 1,113                                   | 876,337                                 |
| Fund balance, June 30, 2012                   | <u>\$ 356,013</u>       | <u>\$ -</u>                         | <u>\$ -</u>                  | <u>\$ -</u>                             | <u>\$ 356,013</u>                       |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

|  |    |           |
|--|----|-----------|
| Net changes in total fund balances per fund financial statements | \$ | (520,324) |
|--|----|-----------|

Amounts reported for governmental activities in the statement of net assets are different because:

|  |  |   |
|--|--|---|
| Proceeds from bond sale less bond issuance costs |  | - |
|--|--|---|

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

|                              |           |  |           |
|------------------------------|-----------|--|-----------|
| Depreciation expense         | (534,608) |  |           |
| Retirement of capital assets | -         |  |           |
| Construction in progress     | -         |  |           |
| Capital Outlays              | 406,655   |  | (127,953) |

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

|                    |         |  |         |
|--------------------|---------|--|---------|
| Capital lease paid | 34,907  |  |         |
| Principal paid     | 250,713 |  | 285,620 |

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

|  |  |        |
|--|--|--------|
|  |  | 20,724 |
|--|--|--------|

|  |    |           |
|--|----|-----------|
| Changes in net assets of governmental activities | \$ | (341,933) |
|--|----|-----------|

(See Auditors' Report and Accompanying Notes to the Financial Statements)



**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

|                                       | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>     | <u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE<br/>(NEGATIVE)</u> |
|---------------------------------------|----------------------------|-------------------------|-------------------|---|
| <b>REVENUES:</b>                      |                            |                         |                   |   |
| Taxes                                 | \$ 455,000                 | \$ 455,000              | \$ 461,878        | \$ 6,878  |
| Other local sources                   | 34,800                     | 34,800                  | 26,859            | (7,941)   |
| State sources                         | 1,180,249                  | 1,180,249               | 1,683,662         | 503,413   |
| Federal sources                       | 4,000                      | 4,000                   | (343)             | (4,343)   |
| Other sources                         | 12,088                     | 12,088                  | 560               | (11,528)  |
| Total revenues                        | <u>1,686,137</u>           | <u>1,686,137</u>        | <u>2,172,616</u>  | <u>486,479</u>  |
| <b>EXPENDITURES:</b>                  |                            |                         |                   |   |
| Instructional                         | 855,776                    | 873,339                 | 1,298,309         | (424,970)   |
| Student support services              | 92,571                     | 76,570                  | 104,705           | (28,135)  |
| Staff support services                | -                          | -                       | -                 | -   |
| District administration               | 424,501                    | 419,501                 | 407,493           | 12,008  |
| School administration                 | 114,938                    | 130,939                 | 162,187           | (31,248)  |
| Business support services             | 46,132                     | 46,132                  | 53,908            | (7,776)   |
| Plant operation and maintenance       | 178,889                    | 168,440                 | 133,536           | 34,904  |
| Student transportation                | 134,637                    | 132,407                 | 134,284           | (1,877)   |
| Food service operation                | -                          | -                       | -                 | -   |
| Central office                        | -                          | -                       | -                 | -   |
| Community service operations          | 1,000                      | 1,000                   | -                 | 1,000   |
| Facility acquisition and construction | -                          | -                       | -                 | -   |
| Contingency                           | 314,380                    | 314,380                 | -                 | 314,380   |
| Other                                 | 15,529                     | 15,529                  | 13,816            | 1,713   |
| Total expenditures                    | <u>2,178,353</u>           | <u>2,178,237</u>        | <u>2,308,238</u>  | <u>(130,001)</u>  |
| Net change in fund balance            | (492,216)                  | (492,100)               | (135,622)         | 356,478   |
| Fund balance, July 1, 2011            | <u>492,216</u>             | <u>492,216</u>          | <u>491,635</u>    | <u>569,023</u>  |
| Fund balance, June 30, 2012           | <u>\$ -</u>                | <u>\$ 116</u>           | <u>\$ 356,013</u> | <u>\$ 925,501</u>   |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
AS OF JUNE 30, 2012**

|                                  | <b>FOOD<br/>SERVICE</b> | <b>TOTAL</b> |
|----------------------------------|-------------------------|--------------|
|                                  |                         |              |
| <b>ASSETS</b>                    |                         |              |
| <b>CURRENT</b>                   |                         |              |
| Cash and cash equivalents        | \$ 4,101                | \$ 4,101     |
| Accounts receivable              | 4,910                   | 4,910        |
| Inventories for consumption      | 7,408                   | 7,408        |
|                                  |                         |              |
| Total current                    | 16,419                  | 16,419       |
|                                  |                         |              |
| <b>NONCURRENT</b>                |                         |              |
| Furniture and fixtures           | 531,862                 | 531,862      |
| Less: accumulated depreciation   | (370,197)               | (370,197)    |
|                                  |                         |              |
| Total noncurrent                 | 161,665                 | 161,665      |
|                                  |                         |              |
| Total assets                     | \$ 178,084              | \$ 178,084   |
|                                  |                         |              |
| <b>LIABILITIES</b>               |                         |              |
| <b>CURRENT</b>                   |                         |              |
| Accounts payable                 | \$ 2,724                | \$ 2,724     |
|                                  |                         |              |
| Total current                    | 2,724                   | 2,724        |
|                                  |                         |              |
| <b>NET ASSETS</b>                |                         |              |
| Invested in assets, net of debt  | 161,665                 | 161,665      |
| Nonspendable inventories         | 7,408                   | 7,408        |
| Unrestricted                     | 6,287                   | 6,287        |
|                                  |                         |              |
| Total net assets                 | 175,360                 | 175,360      |
|                                  |                         |              |
| Total liabilities and net assets | \$ 178,084              | \$ 178,084   |
|                                  |                         |              |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

|  | <b>FOOD<br/>SERVICE</b> | <b>TOTAL</b> |
|--|-------------------------|--------------|
| <b>OPERATING REVENUES:</b>               |                         |              |
| Lunchroom sales                          | \$ 37,036               | \$ 37,036    |
| Other operating revenues                 | 62                      | 62           |
|  | <hr/>                   | <hr/>        |
| Total operating revenues                 | 37,098                  | 37,098       |
|  | <hr/>                   | <hr/>        |
| <b>OPERATING EXPENSES:</b>               |                         |              |
| Salaries and benefits                    | 92,261                  | 92,261       |
| Contract services                        | 2,851                   | 2,851        |
| Materials and supplies                   | 64,368                  | 64,368       |
| Depreciation                             | 26,724                  | 26,724       |
| Other operating expenses                 | -                       | -            |
|  | <hr/>                   | <hr/>        |
| Total operating expenses                 | 186,204                 | 186,204      |
|  | <hr/>                   | <hr/>        |
| Operating loss                           | (149,106)               | (149,106)    |
|  | <hr/>                   | <hr/>        |
| <b>NONOPERATING REVENUES (EXPENSES):</b> |                         |              |
| Federal grants                           | 142,578                 | 142,578      |
| State grants                             | 16,073                  | 16,073       |
| Donated commodities and other donations  | 8,627                   | 8,627        |
| Transfers in (out)                       | -                       | -            |
| Interest income                          | -                       | -            |
|  | <hr/>                   | <hr/>        |
| Total nonoperating revenue               | 167,278                 | 167,278      |
|  | <hr/>                   | <hr/>        |
| Net income                               | 18,172                  | 18,172       |
|  | <hr/>                   | <hr/>        |
| Total net assets, July 1, 2011           | 157,188                 | 157,188      |
|  | <hr/>                   | <hr/>        |
| Total net assets, June 30, 2012          | \$ 175,360              | \$ 175,360   |
|  | <hr/> <hr/>             | <hr/> <hr/>  |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

|   | <b>FOOD<br/>SERVICE<br/>FUND</b> | <b>TOTAL</b>        |
|---|----------------------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                  |                     |
| Cash received from lunchroom sales  | \$ 37,036                        | \$ 37,036           |
| Cash received from other activities   | 62                               | 62                  |
| Cash payments to employees for services   | (92,261)                         | (92,261)            |
| Cash payments to suppliers for goods and services   | (59,575)                         | (59,575)            |
|   | <u>(114,738)</u>                 | <u>(114,738)</u>    |
| Net cash flows used in operating activities   | <u>(114,738)</u>                 | <u>(114,738)</u>    |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>   |                                  |                     |
| Acquisition of capital assets   | (56,729)                         | (56,729)            |
|   | <u>(56,729)</u>                  | <u>(56,729)</u>     |
| Net cash used in capital financing activities   | <u>(56,729)</u>                  | <u>(56,729)</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                      |                                  |                     |
| Non-operating revenues received   | 157,119                          | 157,119             |
|   | <u>157,119</u>                   | <u>157,119</u>      |
| Net cash provided by noncapital financing activities  | <u>157,119</u>                   | <u>157,119</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                  |                     |
| Net cash flows provided by investing activities   | -                                | -                   |
|   | <u>-</u>                         | <u>-</u>            |
| Net decrease in cash and cash equivalents   | (14,348)                         | (14,348)            |
| Cash and cash equivalents - beginning   | 18,449                           | 18,449              |
|   | <u>18,449</u>                    | <u>18,449</u>       |
| Cash and cash equivalents - ending  | <u>\$ 4,101</u>                  | <u>\$ 4,101</u>     |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH<br/>USED IN OPERATING ACTIVITIES</b>        |                                  |                     |
| Operating loss  | \$ (149,106)                     | \$ (149,106)        |
| <b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO<br/>NET CASH USED IN OPERATING ACTIVITIES</b> |                                  |                     |
| Depreciation  | 26,724                           | 26,724              |
| Donated commodities   | 8,627                            | 8,627               |
| Changes in assets and liabilities:  |                                  |                     |
| Increase in inventory   | (3,707)                          | (3,707)             |
| Decrease in accounts payable  | 2,724                            | 2,724               |
|   | <u>(114,738)</u>                 | <u>(114,738)</u>    |
| Net cash used in operating activities   | <u>\$ (114,738)</u>              | <u>\$ (114,738)</u> |
| <b>SCHEDULE OF NON-CASH TRANSACTIONS:</b>   |                                  |                     |
| Donated commodities received from federal government  | <u>\$ 8,627</u>                  | <u>\$ 8,627</u>     |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS  
AS OF JUNE 30, 2012**

|                                  | <u>TRUST/AGENCY<br/>FUND</u> | <u>TOTAL</u>            |
|----------------------------------|------------------------------|-------------------------|
| <b>ASSETS</b>                    |                              |                         |
| <b>CURRENT</b>                   |                              |                         |
| Cash and cash equivalents        | \$ 58,925                    | \$ 58,925               |
| Total current assets             | <u>58,925</u>                | <u>58,925</u>           |
| Total assets                     | <u><u>\$ 58,925</u></u>      | <u><u>\$ 58,925</u></u> |
| <b>LIABILITIES</b>               |                              |                         |
| <b>CURRENT</b>                   |                              |                         |
| Total current                    | <u>\$ -</u>                  | <u>\$ -</u>             |
| Total liabilities                | <u>-</u>                     | <u>-</u>                |
| <b>NET ASSETS</b>                |                              |                         |
| <b>UNRESTRICTED</b>              | <u>58,925</u>                | <u>58,925</u>           |
| Total net assets                 | <u>58,925</u>                | <u>58,925</u>           |
| Total liabilities and net assets | <u><u>\$ 58,925</u></u>      | <u><u>\$ 58,925</u></u> |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

|                            | <u>TRUST/AGENCY<br/>FUND</u> | <u>TOTAL</u>            |
|----------------------------|------------------------------|-------------------------|
| <b>ADDITIONS</b>           |                              |                         |
| Private donations          | \$ 250                       | \$ 250                  |
| Total additions            | <u>250</u>                   | <u>250</u>              |
| <b>DEDUCTIONS</b>          |                              |                         |
| Community services         | <u>8,000</u>                 | <u>8,000</u>            |
| Total deductions           | <u>8,000</u>                 | <u>8,000</u>            |
| Change in net assets       | (7,750)                      | (7,750)                 |
| Net assets - July 1, 2011  | <u>66,675</u>                | <u>66,675</u>           |
| Net assets - June 30, 2012 | <u><u>\$ 58,925</u></u>      | <u><u>\$ 58,925</u></u> |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Augusta Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Augusta Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Augusta Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

Augusta Independent School District Finance Corporation - The Board authorized the establishment of the Augusta Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Augusta Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

**I. Governmental Fund Types**

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 40. This is a major fund of the District.



**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service Fund is a major fund of the District.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

- IV. Fiduciary Fund Type (agency and trust funds)  
The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Accounting (cont'd)

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| <u>Description</u>         | <u>Governmental Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 25-50 years  |
| Land improvements          | 20 years   |
| Technology equipment       | 5 years  |
| Vehicles                   | 5-10 years   |
| Audio-visual equipment     | 15 years   |
| Food service equipment     | 10-12 years  |
| Furniture and fixtures     | 7 years  |
| Other                      | 10 years   |

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Fund Balance Reserves (cont'd)

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE B - ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE C - CASH AND CASH EQUIVALENTS**

At year end, the District had on deposit cash and cash equivalents totaling \$403,625. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance Corporation (FDIC), with the remainder covered by a collateral agreement held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity date of 90 days or less.

Cash and cash equivalents at June 30, 2012, consist of the following:

|         | <u>Bank Balance</u> | <u>Book Balance</u> |
|---------|---------------------|---------------------|
| US Bank | \$ 403,625          | \$ 179,853          |

Allocation per financial statements:

|                    |                   |
|--------------------|-------------------|
| Governmental funds | \$ 76,835         |
| Proprietary funds  | 4,101             |
| Trust/Agency funds | 58,925            |
| Activity funds     | <u>39,992</u>     |
|                    | <u>\$ 179,853</u> |

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

| <u>Governmental Activities</u>                             | Balance<br>June 30,<br>2011 | Additions        | Deductions        | Balance<br>June 30, 2012 |
|--|-----------------------------|------------------|-------------------|--------------------------|
| Land and land improvements                                 | \$ 95,270                   | \$ -             | \$ -              | \$ 95,270                |
| Buildings and improvements                                 | 6,018,111                   | 540,107          | -                 | 6,558,218                |
| Technology equipment                                       | 439,329                     | 18,142           | -                 | 457,471                  |
| Vehicles   | 205,726                     | 1,888            | -                 | 207,614                  |
| General equipment  | 231,278                     | -                | -                 | 231,278                  |
| Construction in progress                                   | 153,482                     | -                | 153,482           | -                        |
| <b>Totals at historical cost</b>                           | <b>7,143,196</b>            | <b>560,137</b>   | <b>153,482</b>    | <b>7,549,851</b>         |
| Less: accumulated depreciation                             |                             |                  |                   |                          |
| Land improvements  | 35,181                      | 5,032            | -                 | 40,213                   |
| Buildings and improvements                                 | 1,387,325                   | 417,189          | -                 | 1,804,514                |
| Technology equipment                                       | 326,750                     | 74,586           | -                 | 401,336                  |
| Vehicles   | 167,516                     | 14,013           | -                 | 181,529                  |
| General equipment  | 154,815                     | 23,788           | -                 | 178,603                  |
| <b>Total accumulated depreciation</b>                      | <b>2,071,587</b>            | <b>534,608</b>   | <b>-</b>          | <b>2,606,195</b>         |
| <b>Governmental activities<br/>capital assets - net</b>    | <b>\$ 5,071,609</b>         | <b>\$ 25,529</b> | <b>\$ 153,482</b> | <b>\$ 4,943,656</b>      |
| <u>Business - Type Activities</u>                          |                             |                  |                   |                          |
| Buildings and improvements                                 | \$ 427,600                  | \$ -             | \$ -              | \$ 427,600               |
| General equipment  | 45,548                      | 56,729           | -                 | 102,277                  |
| Technology equipment                                       | 1,985                       | -                | -                 | 1,985                    |
| <b>Totals at historical cost</b>                           | <b>475,133</b>              | <b>56,729</b>    | <b>-</b>          | <b>531,862</b>           |
| Less: accumulated depreciation                             |                             |                  |                   |                          |
| Buildings and improvements                                 | 301,517                     | 24,208           | -                 | 325,725                  |
| General equipment  | 40,759                      | 1,718            | -                 | 42,477                   |
| Technology equipment                                       | 1,197                       | 798              | -                 | 1,995                    |
| <b>Total accumulated depreciation</b>                      | <b>343,473</b>              | <b>26,724</b>    | <b>-</b>          | <b>370,197</b>           |
| <b>Business - type activities<br/>capital assets - net</b> | <b>\$ 131,660</b>           | <b>\$ 30,005</b> | <b>\$ -</b>       | <b>\$ 161,665</b>        |



**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE E - LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

| <u>Issue Date</u> | <u>Proceeds</u> | <u>Rates</u>   |
|-------------------|-----------------|----------------|
| April 1996        | \$ 810,000      | 4.30% - 5.25%  |
| June 2004         | \$ 390,000      | 4.65%          |
| December 2006     | \$ 395,000      | 3.95%          |
| January 2008      | \$ 3,395,000    | 3.25% - 3.875% |
| May 2011          | \$ 540,000      | 2.50% - 4.60%  |

The District, through the General Fund, (including Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the sponsoring governmental entity to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note O sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012 for debt service (principal and interest) are as reported in Note O.

**NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2012, this amount totaled approximately \$15,488 for those employees with twenty-four or more years of experience. The Board has reserved \$7,744 of its General Fund for unpaid sick leave benefits.

**NOTE G - COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District leases equipment under operating leases expiring in years through 2014. Minimum future lease payments under operating lease agreements for equipment as of June 30, 2012, are as follows:

|                      |                 |
|----------------------|-----------------|
| Year ending June 30: |                 |
| 2013                 | \$ 6,776        |
| 2014                 | 924             |
| 2015                 | -               |
| 2016                 | -               |
| Thereafter           | -               |
|                      | <u>\$ 7,700</u> |

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE H - RETIREMENT PLANS**

Kentucky Teachers Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer retirement system created by and maintained by Kentucky legislature. KTRS provides retirement, death and disability benefits to Plan members.

Plan members are required to contribute 10.355% of their annual creditable compensation. Members hired on or after July 1, 2008 pay an additional .5% of their salary to the medical insurance fund. Matching contributions are made by the state in the form of on behalf payments. The district is required to remit matching contributions on those school district employees whose salaries are paid by federally programs. This federal matching rate is 13.605% for employees hired before July 1, 2008 and 14.105% for employees hired after July 1, 2008. The contribution requirement for KTRS for the year ended June 30, 2012, was \$161,903, which consisted of \$24,140 from the District and \$137,763 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$171,565 and \$167,559, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2012, was \$92,391, which consisted of \$72,760 from the District and \$19,631 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$95,216 and \$92,826, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

The District's total payroll for the year was \$1,724,065. The payroll for employees covered under KTRS was \$1,187,467 and for CERS was \$384,037.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE I - CONTINGENCIES**

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

**NOTE J - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated.

**NOTE K - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE K - RISK MANAGEMENT (CONT'D)**

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE L - DEFICIT OPERATING/FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

|                       |    |         |
|-----------------------|----|---------|
| General Fund          | \$ | 135,622 |
| Construction Fund     | \$ | 383,589 |
| Building Fund         | \$ | 1,113   |
| Trust and Agency Fund | \$ | 7,750   |

**NOTE M - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**NOTE N - TRANSFER OF FUNDS**

The following transfers were made during the year.

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|------------------|----------------|----------------|---------------|
| 1                | 2              | Matching       | \$ 6,198      |

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE O - SCHEDULE OF LONG-TERM OBLIGATIONS**

**1996, 2001, 2004, 2006, 2008 and 2011 Issues**

| <b>FISCAL<br/>YEAR</b> | <b>AUGUSTA INDEPENDENT<br/>SCHOOL DISTRICT</b> |                   | <b>KY SCHOOL FACILITIES<br/>CONSTRUCTION COMMISSION</b> |                     | <b>TOTAL<br/>REQUIREMENTS</b> |
|------------------------|--|-------------------|---|---------------------|-------------------------------|
|                        | <b>PRINCIPAL</b>                               | <b>INTEREST</b>   | <b>PRINCIPAL</b>  | <b>INTEREST</b>     |                               |
| 2012-2013              | \$ 66,094                                      | \$ 41,799         | \$ 190,856  | \$ 132,225          | \$ 430,974                    |
| 2013-2014              | 70,543   | 38,510            | 197,719   | 125,307             | 432,079                       |
| 2014-2015              | 74,886   | 34,960            | 204,765   | 118,135             | 432,746                       |
| 2015-2016              | 53,999   | 32,157            | 212,135   | 110,648             | 408,939                       |
| 2016-2017              | 56,598   | 30,375            | 211,116   | 103,018             | 401,107                       |
| 2017-2018              | 55,326   | 28,277            | 219,049   | 95,045              | 397,697                       |
| 2018-2019              | 53,746   | 26,115            | 227,453   | 86,651              | 393,965                       |
| 2019-2020              | 58,631   | 23,999            | 196,369   | 78,719              | 357,718                       |
| 2020-2021              | 61,518   | 21,729            | 203,482   | 71,484              | 358,213                       |
| 2021-2022              | 63,858   | 19,240            | 211,142   | 63,824              | 358,064                       |
| 2022-2023              | 65,766   | 16,539            | 219,234   | 55,732              | 357,271                       |
| 2023-2024              | 67,187   | 13,755            | 227,813   | 47,153              | 355,908                       |
| 2024-2025              | 51,486   | 10,889            | 223,514   | 38,237              | 324,126                       |
| 2025-2026              | 52,694   | 8,691             | 232,306   | 29,444              | 323,135                       |
| 2026-2027              | 53,713   | 6,544             | 236,287   | 20,407              | 316,951                       |
| 2027-2028              | 53,384   | 4,445             | 226,616   | 11,489              | 295,934                       |
| 2028-2029              | 18,727   | 2,235             | 16,273  | 2,595               | 39,830                        |
| 2029-2030              | 15,225   | 1,374             | 19,775  | 1,846               | 38,220                        |
| 2030-2031              | 14,641   | 673               | 20,359  | 937                 | 36,610                        |
|                        | <u>\$ 1,008,022</u>                            | <u>\$ 362,306</u> | <u>\$ 3,496,263</u>                                     | <u>\$ 1,192,896</u> | <u>\$ 6,059,487</u>           |

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE P - ON-BEHALF PAYMENTS**

For the year ended June 30, 2012 total payments of \$468,715 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded as revenues and expenses in the following funds:

|                          |                          |
|--------------------------|--------------------------|
| General Fund             | \$ 454,653               |
| Food Service Fund        | <u>14,062</u>            |
| Total On-Behalf Payments | <u><u>\$ 468,715</u></u> |

**NOTE Q – COMMITMENTS UNDER CAPITAL LEASES**

The District is the lessee of a school bus under a capital lease expiring in March 2016. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated over the lower of its related lease term or its estimated productive life. Depreciation of assets under this capital lease is included in depreciation expense for 2012.

Future minimum lease payments under the capital lease as of June 30, 2012, and for each of the next five years and in the aggregate are as follows:

Year ending June 30:

|   |                          |
|---|--------------------------|
| 2013  | \$ 42,107                |
| 2014  | 42,156                   |
| 2015  | 41,033                   |
| 2016  | 41,162                   |
| Thereafter                                  | 34,859                   |
|   | <u>69,868</u>            |
| Total minimum lease payments                | 271,185                  |
| Less: amount representing interest          | <u>(25,405)</u>          |
| Present value of net minimum lease payments | <u><u>\$ 245,780</u></u> |

**NOTE R – SUBSEQUENT EVENTS**

Subsequent events were considered through November 15, 2012, which represents the release date of this report.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2012**

|                                      | <u>CAPITAL OUTLAY<br/>FUND</u> | <u>BUILDING<br/>FUND</u> | <u>TOTAL<br/>NONMAJOR<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--------------------------------------|--------------------------------|--------------------------|--|
| <b>ASSETS</b>                        |                                |                          |  |
| <b>CURRENT</b>                       |                                |                          |  |
| Cash and cash equivalents            | \$ -                           | \$ -                     | \$ -   |
| Total assets                         | <u>\$ -</u>                    | <u>\$ -</u>              | <u>\$ -</u>  |
| <b>LIABILITIES AND FUND BALANCES</b> |                                |                          |  |
| <b>LIABILITIES</b>                   |                                |                          |  |
| Accounts payable                     | \$ -                           | \$ -                     | \$ -   |
| Total liabilities                    | <u>-</u>                       | <u>-</u>                 | <u>-</u>   |
| <b>FUND BALANCES</b>                 |                                |                          |  |
| Restricted                           |                                |                          |  |
| Capital projects                     | -                              | -                        | -  |
| Unassigned                           | <u>-</u>                       | <u>-</u>                 | <u>-</u>   |
| Total fund balance                   | <u>-</u>                       | <u>-</u>                 | <u>-</u>   |
| Total liabilities and fund balance   | <u>\$ -</u>                    | <u>\$ -</u>              | <u>\$ -</u>  |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|  | <b>CAPITAL OUTLAY<br/>FUND</b> | <b>BUILDING<br/>FUND</b> | <b>TOTAL<br/>NONMAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--|--------------------------------|--------------------------|--|
| <b>REVENUES:</b>                               |                                |                          |  |
| Taxes  | \$ -                           | \$ 25,484                | \$ 25,484  |
| Earnings on investments                        | -                              | -                        | -  |
| State sources                                  | 25,848                         | 65,196                   | 91,044   |
| Federal sources                                | -                              | -                        | -  |
| Other sources                                  | -                              | -                        | -  |
| Total revenues                                 | 25,848                         | 90,680                   | 116,528  |
| <b>EXPENDITURES:</b>                           |                                |                          |  |
| Instructional                                  | 8,811                          | -                        | 8,811  |
| Student support services                       | -                              | -                        | -  |
| Staff support services                         | -                              | -                        | -  |
| District administration                        | -                              | -                        | -  |
| School administration                          | -                              | -                        | -  |
| Business support services                      | -                              | -                        | -  |
| Plant operation and maintenance                | -                              | -                        | -  |
| Student transportation                         | -                              | -                        | -  |
| Central office                                 | -                              | -                        | -  |
| Community service operations                   | -                              | -                        | -  |
| Facility acquisition and construction          | -                              | -                        | -  |
| Debt service:                                  |                                |                          |  |
| Principal                                      | 11,489                         | 54,235                   | 65,724   |
| Interest                                       | 5,548                          | 37,558                   | 43,106   |
| Total expenditures                             | 25,848                         | 91,793                   | 117,641  |
| Excess (deficit) of revenues over expenditures | -                              | (1,113)                  | (1,113)  |
| <b>OTHER FINANCING SOURCES(USES):</b>          |                                |                          |  |
| Proceeds from sale of bonds                    | -                              | -                        | -  |
| Proceeds from sale of assets                   | -                              | -                        | -  |
| Operating transfers in                         | -                              | -                        | -  |
| Operating transfers out                        | -                              | -                        | -  |
| Total other financing sources(uses)            | -                              | -                        | -  |
| Net change in fund balance                     | -                              | (1,113)                  | (1,113)  |
| Fund balance, July 1, 2011                     | -                              | 1,113                    | 1,113  |
| Fund balance, June 30, 2012                    | \$ -                           | \$ -                     | \$ -   |

(See Auditors' Report and Accompanying Notes to the Financial Statements)



**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
BOND AND INTEREST REDEMPTION FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

|  | <u>ISSUE OF<br/>1996</u> | <u>ISSUE OF<br/>2004</u> | <u>ISSUE OF<br/>2006</u> | <u>ISSUE OF<br/>2008</u> | <u>ISSUE OF<br/>2011</u> | <u>Total</u>       |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------|
| <b>Cash at July 1, 2011</b>                              | <u>\$ -</u>              | <u>\$ -</u>              | <u>\$ -</u>              | <u>\$ -</u>              | <u>\$ -</u>              | <u>\$ -</u>        |
| <b>Receipts:</b>   |                          |                          |                          |                          |                          |                    |
| Transfers and miscellaneous deposits                     | <u>58,834</u>            | <u>16,666</u>            | <u>4,291</u>             | <u>15,719</u>            | <u>13,320</u>            | <u>108,830</u>     |
| <b>Disbursements:</b>                                    |                          |                          |                          |                          |                          |                    |
| Bonds paid   | 48,208                   | 7,645                    | 2,069                    | 4,591                    | 3,211                    | 65,724             |
| Interest coupons   | 10,626                   | 9,021                    | 2,222                    | 11,128                   | 10,109                   | 43,106             |
| Transfers and miscellaneous                              | -                        | -                        | -                        | -                        | -                        | -                  |
| Call fee   | -                        | -                        | -                        | -                        | -                        | -                  |
| Total disbursements                                      | <u>58,834</u>            | <u>16,666</u>            | <u>4,291</u>             | <u>15,719</u>            | <u>13,320</u>            | <u>108,830</u>     |
| Excess or (deficiency) of<br>receipts over disbursements | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>           |
| <b>Cash at June 30, 2012</b>                             | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>           |
| <b>Accounts Receivable and Payable</b>                   |                          |                          |                          |                          |                          |                    |
| Matured interest and bonds outstanding                   | -                        | -                        | -                        | -                        | -                        | -                  |
| Due from other funds                                     | -                        | -                        | -                        | -                        | -                        | -                  |
| Due to other funds                                       | -                        | -                        | -                        | -                        | -                        | -                  |
| Total accounts receivable<br>and payable                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>           |
| <b>Fund balance at June 30, 2012</b>                     | <u><u>\$ -</u></u>       | <u><u>\$ -</u></u>       | <u><u>\$ -</u></u>       | <u><u>\$ -</u></u>       | <u><u>\$ -</u></u>       | <u><u>\$ -</u></u> |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
AUGUSTA INDEPENDENT SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

|                        | <b>FUND<br/>BALANCE<br/>JULY 1, 2011</b> | <b>RECEIPTS</b>   | <b>DISBURSEMENTS</b> | <b>FUND<br/>BALANCE<br/>JUNE 30, 2012</b> |
|------------------------|--|-------------------|----------------------|---|
| Athletics              | \$ 2,670                                 | \$ 95,627         | \$ 90,142            | \$ 8,155                                  |
| Band                   | 632                                      | 5,236             | 5,686                | 182                                       |
| Beta club              | -  | 150               | 150                  | -   |
| CD interest            | 2,629                                    | -                 | -                    | 2,629                                     |
| Champions              | 1,465                                    | -                 | 185                  | 1,280                                     |
| Class of 2011          | 396                                      | -                 | 396                  | -   |
| Class of 2012          | 10,485                                   | 5,243             | 15,728               | -   |
| Class of 2013          | 2,702                                    | 7,594             | 3,889                | 6,407                                     |
| Class of 2014          | 187                                      | 4,109             | 345                  | 3,951                                     |
| Class of 2015          | 544                                      | 1,189             | 600                  | 1,133                                     |
| Class of 2016          | 153                                      | 2,038             | 1,610                | 581                                       |
| Class of 2017          | -  | 253               | 154                  | 99  |
| Culinary arts          | 1,426                                    | 2,399             | 3,587                | 238                                       |
| Drama club             | 533                                      | 17                | -                    | 550                                       |
| Faculty enhancement    | 3,172                                    | 2,702             | 3,267                | 2,607                                     |
| FBLA                   | -  | 586               | 447                  | 139                                       |
| FCCLA                  | 2,098                                    | 5,218             | 6,555                | 761                                       |
| Fitness Center         | -  | 13                | 13                   | -   |
| Future educators       | 161                                      | -                 | -                    | 161                                       |
| High School art        | 335                                      | 25                | 50                   | 310                                       |
| Library                | 30                                       | 1,896             | 1,896                | 30  |
| Ohio River Valley      | 2,305                                    | 3,589             | 3,496                | 2,398                                     |
| Senior trip deposit    | -  | 5,023             | 5,023                | -   |
| Special education fund | 2,031                                    | -                 | 642                  | 1,389                                     |
| Student enhancement    | 2,712                                    | 12,571            | 11,325               | 3,958                                     |
| Yearbook/Newspaper     | 1,952                                    | 2,230             | 1,148                | 3,034                                     |
| Total                  | <u>\$ 38,618</u>                         | <u>\$ 157,708</u> | <u>\$ 156,334</u>    | <u>\$ 39,992</u>                          |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

|  | <b>CFDA<br/>NUMBER</b> | <b>PASS-<br/>THROUGH<br/>GRANTOR'S<br/>NUMBER</b> | <b>EXPENDITURES</b> | <b>PROGRAM/<br/>CLUSTER<br/>TOTALS</b> |
|--|------------------------|---|---------------------|--|
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                   |                        |   |                     |  |
| Rural Education  | 84.358                 | N/A   | \$ 18,906           | \$ 18,906                              |
| <i>Passed through the Kentucky Department of Education:</i>  |                        |   |                     |  |
| Career and Technical Education - Basic Grants to States      | 84.048                 | 4621110 10  | 1,090               |  |
| Career and Technical Education - Basic Grants to States      | 84.048                 | 4621132 10  | 148                 |  |
| Career and Technical Education - Basic Grants to States      | 84.048                 | 4621132 11  | 2,786               | 4,024                                  |
| Improving Teacher Quality State Grant                        | 84.367                 | 3230002 10  | 1,350               |  |
| Improving Teacher Quality State Grant                        | 84.367                 | 3230002 11  | 15,502              | 16,852                                 |
| Education Technology State Grants - Recovery Act             | 84.386                 | 4210002 09  | 2,467               | 2,467                                  |
| <i>Special Education Cluster:</i>                            |                        |   |                     |  |
| Special Education Grants to States                           | 84.027                 | 3810002 10  | 35                  |  |
| Special Education Grants to States                           | 84.027                 | 3810002 11  | 71,940              |  |
| Special Education Preschool Grants                           | 84.173                 | 3800002 11  | 9,291               | 81,266                                 |
| <i>Title I, Part A Cluster:</i>                              |                        |   |                     |  |
| Title I - Grants to Local Educational Agencies               | 84.010                 | 3100002 11  | 98,652              |  |
| <i>Passed through the Bracken County School District</i>     |                        |   |                     |  |
| Title I - Grants to Local Educational Agencies - Parochial   | 84.010                 | 3100002 10  | 3,179               |  |
| Title I - Grants to Local Educational Agencies - Parochial   | 84.010                 | 3100002 11  | 2,702               | 104,533                                |
| <b>Total U.S. Department of Education</b>                    |                        |   | <b>228,048</b>      | <b>228,048</b>                         |
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                 |                        |   |                     |  |
| <i>Passed through the Kentucky Department of Education</i>   |                        |   |                     |  |
| <i>Child Nutrition Cluster:</i>                              |                        |   |                     |  |
| National School Lunch Program                                | 10.555                 | 7750002 11  | 22,506              |  |
| National School Lunch Program                                | 10.555                 | 7750002 12  | 72,111              |  |
| School Breakfast Program                                     | 10.553                 | 7760005 11  | 9,930               |  |
| School Breakfast Program                                     | 10.553                 | 7760005 12  | 30,948              |  |
| Summer Food Service Program for Children                     | 10.559                 | 7690024 11  | 535                 |  |
| Summer Food Service Program for Children                     | 10.559                 | 7690024 12  | 65                  |  |
| Summer Food Service Program for Children                     | 10.559                 | 7740023 11  | 5,111               |  |
| Summer Food Service Program for Children                     | 10.559                 | 7740023 12  | 624                 |  |
| <i>Passed through the Kentucky Department of Agriculture</i> |                        |   |                     |  |
| National School Lunch Program - Food Donation                | 10.555                 | 012-0200  | 8,627               | 150,457                                |
| <b>Total U.S. Department of Agriculture</b>                  |                        |   | <b>150,457</b>      | <b>150,457</b>                         |
| <b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>        |                        |   |                     |  |
| <i>Passed through the Kentucky Department of Education</i>   |                        |   |                     |  |
| Learn and Serve America School and Community Based Programs  | 94.004                 | 1000002 10  | 1,150               | 1,150                                  |
| <b>Total U.S. Department of Health and Human Services</b>    |                        |   | <b>1,150</b>        | <b>1,150</b>                           |
| <b>Total Expenditures of Federal Awards</b>                  |                        |   | <b>\$ 379,655</b>   | <b>\$ 379,655</b>                      |

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Augusta Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**SUMMARY OF AUDITORS' RESULTS**

1. The Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the Augusta Independent School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Augusta Independent School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for Augusta Independent School District expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no audit findings reportable under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs include School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555; Summer Food Service Program for Children, CFDA #10.559; Education Technology State Grants – Recovery Act, CFDA #84.386; Special Education Grants to States, CFDA #84.027 and Special Education Preschool Grants, CFDA #84.173
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Augusta Independent School District does not qualify as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
FOR THE YEAR ENDED JUNE 30, 2012**

**BOARD MEMBERS**

Laura Bach  
Term Expires - December 31, 2012

Dionne Laycock  
Term Expires - December 31, 2014

Gene Groves  
Term Expires - December 31, 2014

Jacqueline Hopkins  
Term Expires – December 31, 2014

Shawn Hennessey  
Term Expires – December 31, 2012

**ADMINISTRATIVE PERSONNEL**

Lisa McCane  
Superintendent

Mary Alice Thornbury  
Treasurer

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Members of the Board of Education  
Augusta Independent School District  
307 Bracken Street  
Augusta, Kentucky 41002

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Augusta Independent School District as of and for the year ended June 30, 2012, which collectively comprise the Augusta Independent School District's basic financial statements and have issued our report thereon dated October 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extensions Request and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report.

**Internal Control Over Financial Reporting**

Management of Augusta Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Augusta Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Augusta Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Augusta Independent School District's internal control over financial reporting.

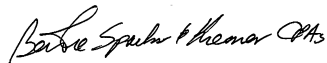
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Augusta Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations indentified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Bertke, Sparks & Kremer, Inc.  
October 24, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Members of the Board of Education  
Augusta Independent School District  
307 Bracken Street  
Augusta, Kentucky 41002

**Compliance**

We have audited Augusta Independent School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Augusta Independent School District's major federal programs for the year ended June 30, 2012. Augusta Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Augusta Independent School District's management. Our responsibility is to express an opinion on Augusta Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Augusta Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Augusta Independent School District's compliance with those requirements.

In our opinion, Augusta Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

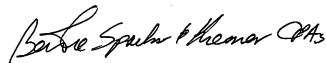
## **Internal Control Over Compliance**

Management of Augusta Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Augusta Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Augusta Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.



Bertke, Sparks & Kremer, Inc.  
October 24, 2012

**AUGUSTA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

In planning and performing our audit of the financial statements of Augusta Independent School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter does not affect our report dated October 24, 2012, on the financial statements of the Augusta Independent School District.

**CURRENT YEAR RECOMMENDATIONS**

**Central Office**

Any exceptions noted during testing appeared to be isolated incidents only.

**Augusta Independent School**

Any exceptions noted during testing appeared to be isolated incidents only.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**Central Office**

**None**

**Augusta Independent School**

**None**